

## Message Text

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ACTION EB-07

INFO OCT-01 AF-10 EUR-12 ISO-00 AID-05 CIAE-00 COME-00  
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02  
OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05  
SS-15 STR-04 CEA-01 AGRE-00 /091 W  
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FM AMEMBASSY ADDIS ABABA  
TO SECSTATE WASHDC 4902  
INFO AMEMBASSY BERLIN

C O N F I D E N T I A L ADDIS ABABA 4363

E.O. 11652: GDS  
TAGS: ETRD EAGR ET GE  
SUBJ: EAST GERMANY BUYS 5,000 TONS OF ETHIOPIAN COFFEE

REF: ADDIS ABABA 3178 (NOTAL)

1. SUMMARY: EAST GERMANY HAS PURCHASED 5,000 TONS OF ETHIOPIAN COFFEE VALUED AT U.S.\$28 MILLION UNDER A BARTER ARRANGEMENT. ETHIOPIA WILL PROBABLY BUY A COMPLETE TEXTILE PLANT AND OTHER ITEMS FROM EAST GERMANY. ETHIOPIA HAS EXPORTED AROUND 40,000 TONS OF COFFEE WITH 35,00-40,000 TONS STILL AVAILABLE FOR EXPORT. THERE HAVE BEEN PRACTICALLY NO OFFERS FROM WESTERN FIRMS SINCE MID-APRIL. ETHIOPIA IS CLEARLY TRYING TO EXPAND ITS TRADE RELATIONS WITH EASTERN EUROPEAN COUNTRIES. END SUMMARY.

2. EAST GERMANY RECENTLY PURCHASED 5,000 TONS OF ETHIOPIAN COFFEE VALUED AT U.S.\$28 MILLION. THE PRICE PER POUND AVERAGES THE EQUIVALENT OF U.S. \$2.55 F.O.B., WHICH IS SUBSTANTIALLY ABOVE RECENT OFFERS FROM NEW YORK. THE COFFEE HAS ALREADY BEEN TRANSPORTED TO THE PORT OF ASSAB, WHERE ONE VESSEL IS ALREADY  
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LOADING AND NOTHER IS EXPECTED WITHIN A FEW DAYS. THE ETHIOPIAN COFFEE BOARD AND PRIVATE EXPORTERS BOTH SOLD COFFEE UNDER THIS ARRANGEMENT.

3. THIS TRANSACTION WAS REPORTEDLY CARRIED OUT UNDER A BARTER ARRANGEMENT, SO ETHIOPIA WILL PRE-SUMABLY HAVE TO BUY U.S.\$28 MILLION WORTH OF GOODS

FROM EAST GERMANY. THE EMBASSY UNDERSTANDS THAT, AMONG OTHER POSSIBILITIES, THE ETHIOPIANS ARE INTERESTED IN A COMPLETE TEXTILE FACTORY. AS PREVIOUS ETHIOPIA-EAST GERMAN TRADE WAS PRACTICALLY ZERO, SPENDING SUCH A LARGE AMOUNT MAY NOT BE EASY.

4. ETHIOPIA HAS NOW EXPORTED SLIGHTLY OVER 40,000 TONS OF COFFEE INCLUDING THIS TRANSACTION. EXPORTERS NO LONGER HOLD ANY COFFEE STOCKS, BUT IT IS COMMONLY ASSUMED IN THE TRADE THAT THERE ARE ROUGHLY FIVE TO SEVEN THOUSAND TONS OF COFFEE IN ADDIS IN THE HANDS OF PEASANT ASSOCIATION REPRESENTATIVES AND MIDDLEMEN. IN ADDITION, THERE ARE PROBABLY 30-35,000 TONS STILL IN THE HANDS OF PEASANT ASSOCIATIONS AND MIDDLEMEN IN THE COFFEE PRODUCING PROVINCES. THESE ASSOCIATIONS ARE VERY RELUCTANT TO SELL THEIR COFFEE AS THEY RECEIVE CONSIDERABLY HIGHER PRICES AT THE BEGINNING OF THE SEASON THAN ARE CURRENTLY BEING OFFERED BY EXPORTERS. THE GOVT IS CONTINUING TO EXAMINE THE SURTAX SYSTEM (SEE REFTTEL), BUT WILL PROBABLY DELAY MAKING ANY CHANGES IN THE SURTAX UNTIL ALL OF THE COFFEE DESTINED FOR EAST GERMANY IS SHIPPED. THE RETURN FROM THE SURTAX ON THAT 5,000 TONS ALONE AMOUNTS TO OVER 40 MILLION ETHIOPIAN BIRR. THE TRADE IN ADDIS  
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LOOKS FOR A CHANGE IN THE SURTAX, HOWEVER, AS A MEANS TO INDUCE FARMERS TO PART WITH THEIR COFFEE BY OFFERING THEM HIGHER PRICES - THE REDUCTION IN THE TAX WILL BE PASSED DIRECTLY ON TO THE FARMERS IN THE FORM OF HIGHER PRICES.

5. THERE ARE STILL NO SIGNIFICANT OFFERS FROM WESTERN MARKETS, INCLUDING NEW YORK, FOR ETHIOPIAN COFFEE. THIS HAS BEEN THE CASE SINCE ROUGHLY MID-APRIL. COFFEE TRADE CIRCLES HERE BELIEVE THAT THIS SITUATION WILL CHANGE IN THE NEXT FEW WEEKS BUT, SINCE ETHIOPIA IS A MINOR SUPPLIER, ETHIOPIA WILL HAVE LITTLE OR NO INFLUENCE ON THE MARKET ONE WAY OR THE OTHER IN ANY CASE.

6. LACK OF INTEREST FROM WESTERN FIRMS MAY HAVE ENCOURAGED THE EPMG TO BROADEN ITS TRADE RELATIONS WITH EASTERN EUROPEAN COUNTRIES, ALTHOUGH GIVEN THE CURRENT EPMG POLITICAL PHILOSOPHY SOME INCREASE IN TRADE WITH EASTERN EUROPEAN COUNTRIES WAS CERTAIN TO OCCUR. IN ADDITION TO EAST GERMANY, TRADE PROTOCOLS HAVE ALSO BEEN SIGNED WITH HUNGARY AND

CZECHOSLOVAKIA BY AN ETHIOPIAN DELEGATION CURRENTLY  
VISITING SIX EASTERN EUROPEAN COUNTRIES.  
THESE PROTOCOLS PROVIDE FOR COFFEE EXPORTS TO  
THESE COUNTRIES AND A VARIETY OF IMPORTS FROM THEM.  
THE USSR, HOWEVER, ACCORDING TO THE RUSSIAN  
COMMERCIAL COUNSELOR, IS NOT INTERESTED IN BUYING  
COFFEE FROM ETHIOPIA AT THIS TIME, AND THE LOCAL  
TRADE ESTIMATES THAT TOTAL ANNUAL COFFEE PUR-  
CHASES BY EAST EUROPEAN COUNTRIES AMOUNTS TO  
18-20,000 TONS. THEREFORE, THE COFFEE MARKET  
IN EASTERN EUROPE IS QUITE LIMITED, ASSUMING, OF  
COURSE, THESE COUNTRIES WOULD NOT BUY COFFEE TO  
RESELL T WESTERN MARKETS.

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## Message Attributes

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**Disposition Date:** 22 May 2009  
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**Type:** TE  
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